

2002 FINANCIAL RESULTS

A- 2002 BUDGET SURPLUS (Negative)

The preliminary "post-closing, pre-audit" reports of 2002 results show a net loss of \$53K for the year. This compares to a budgeted surplus of \$225K. In my report to the October BoG meeting, I estimated that the 2002 surplus would be \$50K to \$100K and identified the major factors that would produce this result. The actual 2002 results suffered a further degradation due to the following:

1- The Book Broker revenue to AESS was \$70K less than budgeted.

2- The net charges by IEEE/TAB to AESS in the Administrative Account was \$85K above budget. This account result includes an investment market loss of \$238K, partially offset by an infrastructure cost reduction credit of \$154K

B- AESS FIVE YEAR FINANCIAL HISTORY

The five year history of the Society's revenues, expenses, surpluses, and reserves follows. In this data, we have stated the AESS revenues and expenses without the gross revenue and expenses of our sponsored conferences, but showing booked conference surplus as AESS revenue. IEEE financial reports include the total conference revenues and expenses, but I believe that the basis used here gives a clearer picture of funds that are under direct AESS control.

Year 2002(Preliminary)

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|----------|----------|
| Revenues | \$ 864K |
| Expenses | \$ 917K |
| Surplus | (\$ 53K) |
| Reserve | \$ 787K |

Year 2001

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|----------|-----------|
| Revenues | \$ 847K |
| Expenses | \$ 988K |
| Surplus | (\$ 142K) |
| Reserve | \$ 840K |

Year 2000

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|----------|--------|
| Revenues | \$710K |
| Expenses | \$601K |
| Surplus | \$109K |
| Reserve | \$983K |

Year 1999

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|----------|--------|
| Revenues | \$979K |
| Expenses | \$578K |
| Surplus | \$401K |
| Reserve | \$872K |

Year 1998

| | |
|----------|--------|
| Revenues | \$745K |
| Expenses | \$534K |
| Surplus | \$211K |
| Reserve | \$471K |

2003 BUDGET AND INITIAL FORECAST

After considerable revisions during the review process, the final AESS budget for 2003 shows a net surplus of \$234K with a zero entry for investment returns. I believe that operations controlled by AESS have a good chance to meet or exceed their part of the budget surplus. Surplus revenues from 2002 conferences that will close in 2003 are above forecast. This increased revenue of \$30K to \$40K should offset anticipated Systems Magazine expenses \$20K to \$30K above budget. However, continued care must be maintained in holding all costs to budget.

TAB infrastructure expenses and APP/Book Broker income can have serious impact on our final result. The 2003 budget values for these accounts are more favorable than the 2002 actual results.

2004 BUDGET.

The budget cycle for 2004 has already started. AESS received a "First Pass" draft in early April and we were required to supply our inputs and modifications by 1 May. When compared to our 2003 budget, TAB estimates increased APP and Book Broker revenue and slightly increased charges and infrastructure allocation. The "First Pass" budget also includes slight extrapolations of all of our other revenue and expense line items to arrive at a net AESS 2004 surplus of \$244K, not including any revenue or loss from the investment account. The 1 May input to TAB reduced the surplus in the "First Pass" draft to \$199K by correcting an overstatement of conference surplus (\$15K) and an understatement of Systems Magazine expenses (\$30K).

Potential problems with these estimates are:

- 1 - The 2002 actual results for APP and Book Broker revenue, investment returns, and infrastructure allocation were worse than the 2003 budget by a total of about \$200K.
- 2 - The IEEE has again directed that the Institute's 2004 budget will have no deficit. We have been told that the aggregate 2003 TAB surplus from all "First Pass" budgets is about \$3.9 million less than their target budget. So far, societies have not been asked for actions to close this gap, but I expect pressure for additional revenues and reduced expenses after the society inputs are aggregated.

BOG DECISIONS FOR 2004 BUDGET INPUTS

1- Changes to AESS dues and fees for 2004

The May AESS input to the "First Pass" budget had no increase in member dues and fees. I believe that we should keep these charges at the 2003 amounts. However, in anticipation of TAB future requirements for increased revenue before the budget is accepted, I recommend that the BoG authorize the Treasurer to approve an increase in the annual member dues to \$25 (from \$23) and an increase in the member annual Transaction subscription rate to \$20 (from \$19), if required by TAB during budget negotiations.

I recommend that the annual non-member subscription rates for the Transactions and Systems be increased to \$685 and \$335, respectively. These values are the IEEE recommended levels for 2004. The 2003 rates are \$640 and \$310, respectively.

2- Changes to Transactions and Systems page counts

I recommend no changes

Charles H. Gager,
Treasurer